

Honolulu, Hawaii

FEB 16, 2024

RE: H.B. No. 2629
H.D. 2

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2024
State of Hawaii

Sir:

Your Committee on Housing, to which was referred H.B. No. 2629, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE CONVEYANCE TAX,"

begs leave to report as follows:

The purpose of this measure is to:

- (1) Establish the Homeless Services Special Fund;
- (2) Allow counties to apply for matching funds from the Affordable Homeownership Revolving Fund for housing projects that are subject to a perpetual affordability requirement;
- (3) Amend conveyance tax rates based on property values;
- (4) Repeal conveyance tax rates set separately for conveyances for which the purchasers are ineligible for a county homeowner's exemption on property tax;
- (5) Exempt from the conveyance tax any conveyances of real property to organizations with certain affordability requirements and to certain nonprofit organizations; and



- (6) Allocate collected conveyance taxes to the Affordable Homeownership Revolving Fund and Homeless Services Special Fund and amend allocations to the Land Conservation Fund and Rental Housing Revolving Fund.

Your Committee received testimony in support of this measure from the Department of Land and Natural Resources; Hawaii Public Housing Authority; Kua'āina Ulu 'Auamo; Catholic Charities Hawai'i; Trust for Public Land; Church of the Crossroads; Ka Makani O Kohala Ohana; Hawai'i Youth Services Network; Hope Services Hawai'i, Inc.; Kū Pono Ka Leo O Ka 'Āina; and numerous individuals. Your Committee received testimony in opposition to this measure from Affordable Housing Connections LLC; Hawai'i Association of REALTORS; Grassroot Institute of Hawaii; Land Use Research Foundation of Hawaii; NAIOP; and one individual. Your Committee received comments on this measure from the Department of Taxation; Department of Human Services; Department of Budget and Finance; Office of Planning and Sustainable Development; Hawaii Housing Finance and Development Corporation; Stanford Carr Development, LLC; Tax Foundation of Hawaii; and Maui Chamber of Commerce.

Your Committee finds the lack of affordable housing and cost of living in the State are a significant factor in the number of families moving away and a major contributor to homelessness. Hawaii has the highest number of homeless individuals per capita in the nation and until more can be done to create more affordable housing and provide services for homeless individuals, this problem will continue to get worse.

Your Committee further finds that the conveyance tax is one of the most stable forms of revenue for the State and is an appropriate source to fund affordable housing development, land conservation, and homeless services. However, your Committee notes that increases to the conveyance tax should be appropriate, so as to not discourage investment and not put an undue burden on residents engaging in the transfer of real property.

Your Committee has amended this measure by:

- (1) Transferring the Homeless Services Special Fund and its administration from the Hawaii Public Housing Authority to the Department of Human Services;



- (2) Deleting the requirement that counties consult with at least one percent of their full-time resident population to qualify to apply for matching funds from the Affordable Homeownership Revolving Fund;
- (3) Reverting to existing statutory language for conveyance tax rates and also increasing the tax rates for certain properties;
- (4) Establishing new conveyance tax rates for the sale of a multifamily residential property and inserting a definition for "multifamily residential property";
- (5) Inserting definitions for "permanent affordability" and "price-restricted affordability period";
- (6) Exempting from the conveyance tax the conveyance of real property to an individual who is an owner-occupant or renter-occupant;
- (7) Reducing the allocation of collected conveyance taxes that are paid into the Land Conservation Fund, Rental Housing Revolving Fund, Affordable Homeownership Revolving Fund, and Homeless Services Special Fund;
- (8) Allocating eight percent of collected conveyance taxes to the Dwelling Unit Revolving Fund to fund infrastructure programs in transit-oriented development areas;
- (9) Changing the effective date to July 1, 3000, to encourage further discussion; and
- (10) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Housing that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 2629, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 2629, H.D. 2.



Respectfully submitted on
behalf of the members of the
Committee on Housing,

2AG

LUKE A. EVSLIN, Chair



